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Mr. Linton
Beach

BANKENO MINES LIMITED

Annual Report

FOR THE PERIOD ENDED
DECEMBER 31, 1966

BANKENO MINES LIMITED

OFFICERS AND DIRECTORS

THOS. J. DAY, Q.C., <i>President and Director</i>	• • • • •	Toronto, Ontario
J. W. McBEAN, <i>Vice-President and Director</i>	• • • • •	Swastika, Ontario
G. H. CHARLEWOOD, <i>Director</i>	• • • • •	Kirkland Lake, Ontario
E. T. DONALDSON, <i>Director</i>	• • • • •	Toronto, Ontario
DR. F. YANDELL, <i>Director</i>	• • • • •	Nanuet, N.Y.
E. S. CHARD, <i>Treasurer</i>	• • • • •	Toronto, Ontario
K. H. LARKIN, <i>Secretary</i>	• • • • •	Toronto, Ontario

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TRANSFER AGENT

CROWN TRUST COMPANY
302 Bay Street, Toronto, Ont.

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AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON
Toronto, Ont

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HEAD OFFICE • • • • • 250 University Avenue, Toronto, Ont.

BANKENO MINES LIMITED

Report of the Directors

TO THE SHAREHOLDERS:

Exploration of our lead-zinc mineral holdings conducted by Cominco Limited during 1966 was directed mainly toward testing the potential of the entire area and in particular the new exploration permit areas acquired by Cominco on our joint behalf after it became apparent to them that very substantial sections of Cornwallis Island merited serious prospecting and development. The program was carried out through geological, geochemical and geophysical surveys. Very little diamond drilling was done. The one drill that was on Little Cornwallis Island encountered a serious mechanical failure which reduced its function by about 30%.

Some diamond drilling was carried out on the Eclipse Zone on Little Cornwallis Island where last year it was reported that six holes indicated a tonnage of some 900,000 tons to a depth of 54 feet. Drilling indicated the continuance of the mineralized zone to a depth of 147 feet with the drill still in the mineralized zone. By this it should not be inferred that the tonnage in this zone has been increased threefold. Much further work remains to be done.

For the first time the original showing at the west end of Little Cornwallis Island was examined by Cominco. This has been and will hereafter be referred to as the Polaris Group where some 200 cubic yards of overburden were removed from 13 test pits. The ore in these pits was of a considerably higher grade than that obtained in the Eclipse Group reported on last year. Geophysical work carried on over the Polaris Group suggests a possible mineralized zone of about 1,600 feet by 200 feet in surface plan.

On Cornwallis Island two areas received attention. The first is known as the Allen Branch and appears to be the major anomalous area on which 55 line miles of grid were mapped. Two major low resistivity zones of 5,600 feet in length and up to 2,000 feet in width were revealed. The I.P. geophysical results are difficult to interpret and will only be resolved by future drilling tests.

On the second location on Cornwallis Island known as Stuart River, work has been carried out consisting of 32 line miles geochemistry, 26 line miles I.P. geophysical survey and 20 line miles geology. The most significant target is a large I.P. geophysical anomaly covering an area exceeding 1,200 feet by 600 feet.

These results obtained from the broad reconnaissance program carried out are very encouraging. The cost to Cominco for the 1966 season was approximately \$200,000.00. Cominco advises us that they are not planning a substantial mineral development program for the year 1967.

It is inconceivable that the recommendations of the Carter Commission Report for the removal of the three year tax free period and depletion allowances for mining companies would ever be implemented, as the result would be to cripple the whole of our mining industry and the development of Canada's northland from which all segments of the economy and the people of Canada benefit. It must be obvious that placing a property such as this into production will entail large capital expenditures. It is a fact that these disallowances in the future would very seriously curtail the return of the capital required. Investors advancing this type of risk capital must anticipate a reasonable return of their capital and a profit commensurate to the risk involved.

With reference to our oil and gas interests in the Arctic Islands, as reported in the press the ambitious Panarctic Oils program which required the raising of \$30,000,000.00 by June of this year was not successful. However, I am glad to report to the shareholders that serious negotiations are presently in progress which it is hoped will see the early development of our oil and gas interests on a substantial scale.

T. J. DAY
President

Toronto, Ontario
May 30th, 1967

BANKENO MINES LIMITED

Incorporated under the laws of Ontario

Balance Sheet - December 31, 1966

ASSETS

CURRENT ASSETS

Cash	\$ 8,765
Marketable securities, at market value being lower than cost	1,082
Guaranteed investment certificate at cost and accrued interest	180,969
	<u>190,816</u>
Oil and gas permits, at cost (note 2)	30,825
Mining properties (notes 2 and 4)	25,488
Deferred exploration and development expenditures	201,404
	<u>\$ 448,533</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	4,497
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SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)

Authorized, 4,000,000 shares, par value \$1 each	
Issued, 3,150,004 shares	\$3,150,004
Deduct discount thereon	1,532,711
	<u>1,617,293</u>

DEFICIT	1,173,257	444,036
		<u>\$ 448,533</u>

Approved on behalf of the Board:

T. J. DAY, Director.

J. W. McBEAN, Director.

AUDITORS' REPORT

To the Shareholders of
Bankeno Mines Limited.

We have examined the balance sheet of Bankeno Mines Limited as at December 31, 1966 and the statements of deferred exploration and development expenditures, deficit, administrative expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstance.

In our opinion the aforementioned financial statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in accounting practice explained in note 1, which change we approve.

Toronto, Canada,
April 10, 1967.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

BANKENO MINES LIMITED

Statement of Deferred Exploration and Development Expenditures

Year ended December 31, 1966

Balance at beginning of year		\$ 671,575
Expenditures during year		
Engineering fees	4,800	
Geological and exploration, oil and gas permits	160,000	
Other	29	164,829
		836,404
Less proceeds from sale of interests in Arctic Islands oil and gas permits (notes 2 and 3)		
J. C. Sproule and Associates Ltd. (5% interest)	160,000	
Cominco Ltd. (50% interest)	500,000	
Less J. C. Sproule and Associates Ltd., 5% interest therein	25,000	475,000
		635,000
Balance at end of year		\$ 201,404

Statement of Deficit

Year ended December 31, 1966

Deficit at beginning of year		\$ 1,066,973
Administrative expenditures, current and prior years		105,337
Adjustment of marketable securities to market value		947
Deficit at end of year		\$ 1,173,257

BANKENO MINES LIMITED

Statement of Administrative Expenditures

Year ended December 31, 1966

Deferred administrative expenditures at beginning of year	\$ 93,028
Expenditures during year	
Accounting and office services	2,800
Executive salary	845
Government fees, licenses and taxes	(1,075)
Interest and bank charges	418
Legal and audit	6,426
Listing fees	750
Postage, telephone and telegraph	1,121
Printing and stationery	450
Reports to shareholders	933
Share issue expense	247
Transfer agent's fees and expenses	1,334
Travelling	3,514
Sundry	515
	18,278
Less interest earned	5,969
Administrative expenditures, current and prior years, transferred to deficit	\$ 12,309
	<u><u>\$ 105,337</u></u>

Statement of Source and Application of Funds

Year ended December 31, 1966

FUNDS MADE AVAILABLE

Proceeds from sale of interests in Arctic Islands oil and gas permits	\$ 635,000
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FUNDS APPLIED

Exploration and development expenditures	164,829
Oil and gas permits	16,250
Administrative expenditures	12,309
Adjustment of marketable securities to market value	947
	194,335
Improvement in working capital position	440,665
Working capital deficiency at beginning of year	254,346
Working capital at end of year	\$ 186,319
 CURRENT ASSETS	190,816
CURRENT LIABILITIES	4,497
	<u><u>\$ 186,319</u></u>

BANKENO MINES LIMITED

Notes to Financial Statements

Year ended December 31, 1966

1. CHANGE IN ACCOUNTING PRACTICE:

Exploration, development, organization and administrative expenditures incurred up to December 31, 1959 were written off to deficit at that date.

Subsequent to 1959, administrative expenditures have been included in deferred charges. These expenditures for the current year are reflected in the statement of administrative expenditures and have been transferred to deficit together with those deferred at the beginning of the year.

2. AGREEMENTS WITH COMINCO LTD. (formerly Consolidated Mining and Smelting Company of Canada Limited):

Exploratory permits — Arctic Islands:

A. By Agreements dated May 17th, 1966, between Bankeno Mines Limited and Cominco Ltd., Cominco acquired a 50% undivided interest in Bankeno's interests in Oil and Gas Exploratory Permits located in the Arctic Islands for the sum of \$500,000.

Pursuant to said Agreements the parties agreed as follows:

(a) Cominco assumes the sole responsibility for maintaining in good standing the permits subject to the general provisions of the Agreement and their right as set out therein to surrender interests in the permits.

(b) In the event Cominco drills on any of the properties Bankeno will retain a 25% carried interest and have the right, by participating, to increase its interest to 50% in any wells that may be drilled.

(c) Cominco can enter into farmout agreements with respect to the properties but must retain a minimum 20% interest and any such retained interest will be divided equally between Cominco and Bankeno; further, in the event Cominco participates in the drilling of any of the wells under a farmout agreement Bankeno shall have the right to participate up to 50% of Cominco's participation in any and all wells that may be so drilled.

(d) In the event that Cominco enters into any agreements with third parties where such third parties acquire an interest in the permits or wells drilled thereon and Cominco is entitled to participate in any financing conducted by the third party, Bankeno shall have the right to participate to the extent of up to 50% of the financing available to Cominco.

(e) Any mineral discoveries that may be made as a result of geological exploration for oil, carried on by Bankeno or Cominco resulting in the staking of claims, the claims will be owned jointly by Cominco and Bankeno no matter which party stakes the claims.

(f) Under the said Agreement Bankeno is relieved from any obligation to advance any funds unless they elect so to do, provided, however, that Bankeno will have to pay its share of operating

costs incurred by Cominco in any well other than dry holes or wells that have ceased to produce; such amount payable by Bankeno to be equivalent to the average percentage interest of Bankeno in any such wells.

Mining properties:

By agreement dated February 28, 1965, as amended, Cominco Ltd. was granted the right to explore and the exclusive possession of, the company's 62 mining claims on Little Cornwallis Island, Northwest Territories.

3. AGREEMENT WITH J. C. SPROULE AND ASSOCIATES LTD.:

B. By Letter Agreement of September 17, 1965, between J. C. Sproule and Associates Ltd. and the company, in consideration of geological and exploration expenditures to the amount of \$160,000 which were used in the acquisition of other permits in the Arctic Islands, the company granted J. C. Sproule and Associates Ltd. a 5% interest in the company's Arctic Islands holdings and in any consideration received for these holdings.

4. MINING PROPERTIES:

62 Claims on Little Cornwallis Island, Northwest Territories, acquired for 50,000 shares of the company's capital stock valued at \$15,000 and staking cost of \$10,487	_____	25,437
19 Leases in Mayo Mining Division, Yukon Territory, at nominal value	_____	1
		<u>\$ 25,488</u>

5. CAPITAL STOCK:

During 1966 options were given to two directors and another person to purchase an aggregate of 140,000 shares of the company's capital stock at \$1 per share up to October 26, 1971. None were exercised during the year.